

Iran-Contra Report Castigates Reagan

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Impeachment 'Should Have Been Considered,' Prosecutor Says

By George Lardner Jr.
and Walter Pincus
Washington Post Staff Writers

A seven-year investigation of the Iran-contra scandal produced "no credible evidence that President Reagan violated any criminal statute," but concluded that Reagan "set the stage for the illegal activities of others" by encouraging them to win freedom for American hostages in Lebanon and arm the contra rebels in Nicaragua, independent counsel Lawrence E. Walsh said yesterday.

Once the public learned in late 1986 of the secret arms-for-hostages dealings with Iran and the clandestine funding for the contras,

"Reagan administration officials deliberately deceived the Congress and the public about the level and extent of official knowledge of and support for these operations," Walsh said in his final report on the affair, released yesterday.

While he uncovered no proof that Reagan committed any crimes, Walsh said at a news conference that impeachment "certainly should have been considered." In his report, Walsh said it is appropriate to consider impeachment "in cases of conduct involving political objectives rather than venal objectives" because impeachment "brings into play the political judgment of both houses of Congress."

Reagan, Walsh said, "created the

conditions which made possible the crimes committed by others by his secret deviations from announced national policy as to Iran and hostages and by his open determination to keep the contras together 'body and soul' despite a statutory ban on contra aid."

A congressional investigation of Iran-contra, Walsh said, went down the wrong paths, in part because of the Reagan administration's coverup. Walsh said Congress's 1986-87 inquiry had been complicated by the withholding of literally thousands of "contemporaneous notes and documents" by top government officials—a factor that he said also unduly prolonged his own inquiry.

Walsh said his investigation discovered
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■ *Oliver L. North's integrity is questioned in the report.*

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IRAN-CONTRA, From A1

ered "large caches of previously withheld contemporaneous notes and documents, which provided new insight into the highly secret events of Iran-contra. Had these materials been produced to congressional and criminal investigators when they were requested in 1987, independent counsel's work would have proceeded more quickly and probably with additional indictments."

Walsh's 566-page report was made public by the new members of the special three-judge panel that appointed him in December 1986. Also released were a volume of supplementary material and a 1,150-page compendium of responses from Reagan and others who took issue with the findings, often denouncing Walsh for accusing them of crimes he couldn't prove in court. Another volume of classified material, primarily concerning CIA activities in Central America, was not released.

In his report and in his news conference, Walsh was particularly critical of former president George Bush, who served as Reagan's vice president.

At the press session, Walsh called Bush's decision to pardon former defense secretary Caspar W. Weinberger and five other Iran-contra figures on Christmas Eve 1992 "an act of friendship or an act of self-protection"; the pardon prevented a trial of Weinberger at which Bush would have been called as a witness. Walsh had envisioned the Weinberger trial as his best chance to establish a high-level coverup by using long-withheld documents, such as notes kept by Weinberger, former secretary of state George P. Shultz, former White House chief of staff Donald T. Regan and former White House counsel Peter Wallison.

In his report, Walsh said his investigation did not find

evidence proving that Bush "violated any criminal statute" but said Bush had refused to cooperate in the final stages of the independent counsel's investigation.

"Do you think that Presidents Reagan and Bush still have a lot to answer for?" Walsh was asked at his news conference.

"I think President Bush will always have to answer for his pardons," Walsh replied. "There was no public purpose served by that. . . . President Reagan, on the other hand, was carrying out policies that he strongly believed in. He may have been willful, but he, at least he thought he was serving the country in what he did, and the fact that he disregarded certain laws and statutes in the course of it was not because of any possibly self-centered purpose."

In a 126-page response, Reagan called the report "an excessive, hyperbolic, emotional screed that relies on speculation, conjecture, innuendo and opinion instead of proof."

Bush's lawyer, former attorney general Griffin B. Bell, said in reply that Bush "fully cooperated" with Walsh's office.

The Iran-contra scandal came to light in October and November of 1986 with the exposure of two secret Reagan administration operations: the provision of lethal aid for the contra rebels during a congressional ban on such assistance, and a series of secret arms-for-hostages deals with Iran in violation of stated U.S. policy. The two covert actions merged in late November 1986 when the White House disclosed that some of the profits from the arms sales had been diverted to the contras.

Walsh, an 82-year-old former federal judge and a lifelong Republican, ended up prosecuting 14 individuals and investigating 17 others. His report, required by law to include his reasons for not prosecuting subjects of his

inquiry, contains many new details, including previously secret grand jury testimony and excerpts of diary entries and notes kept by Reagan and other top officials in his administration.

The chief focus of Walsh's report is on what he says was the Reagan administration's deliberate deception of Congress and the public "about the level and extent of official knowledge of and support for" the arms sales to Iran and the contra resupply operation.

Walsh said his investigation in its final years resulted in the discovery of "significant evidence" about the coverup that began in November 1986. In the end, Walsh said he concluded that "the president's most senior advisers and the Cabinet members participated in the strategy to make National Security Council staff members [Robert C.] McFarlane, [Oliver L.] North, and [John M.] Poindexter the scapegoats whose sacrifice would protect the Reagan administration in its final two years."

One of Shultz's former top aides, Charles Hill, kept voluminous, painstakingly detailed notes of conversations between high-level State Department officials and Shultz's reports of meetings he had with the president and other top administration officials. It was Hill's notes that led to the discovery in 1991 of Weinberger's notes and ultimately to the indictment of the former defense secretary on charges of perjury, false statements and obstruction of a congressional investigation.

Hill's notes also led to discovery of notes kept by Nicholas Platt, another high-ranking State Department official.

Together, Walsh said, the State Department documents contradicted Shultz's own congressional testimony in 1986 about the arms sales to Iran. In re-interviews in 1992, the report said, Shultz "acknowledged the accuracy of the Hill notes, agreed that they were relevant and should have been produced, and stated that if he had reviewed them prior to his testimony before Congress, his testimony would have been very different.

"He admitted that portions of his testimony were wrong," Walsh added.

In 1992, Walsh also found notes of Regan that had not previously been produced. According to the report, these showed that former attorney general Edwin Meese III stated at a crucial White House meeting that a November 1985 shipment of Hawk missiles to Iran was probably illegal. The Regan notes, along with an account of the same meeting given to Hill by Shultz, became the basis for a renewed 1992 investigation by Walsh into Meese's role in the alleged coverup.

Still other evidence concerning Meese, the report said, came from notes kept by Wallison, a close associate of Regan and the top White House lawyer in November 1986. Wallison was convinced that the 1985 shipments had been a violation of the U.S. Arms Export Control Act. Wallison wrote in his diary that he was "unhappy" with a public statement issued by the White House in November 1986 asserting that no law had been violated by the Iranian arms sales.

"I was told that this is what the AG [Meese] wanted said," Wallison recorded in his diary. According to Walsh, Wallison later raised concerns about a conflict of interest when he was told Meese had been designated by the White House to investigate the arms sales to Iran.

Walsh said he did not learn of Meese's key statements at the White House until late in his investigation. "Six years after the pivotal events had occurred, the trail was cold," Walsh said in his report. "With the principals professing no memory of often critical events, the OIC [Office of Independent Counsel] did not uncover sufficient evidence of an obstruction to justify a prosecution."

In an important sense, Walsh said, the strategy to make North, McFarlane and Poindexter the scapegoats succeeded. "Independent Counsel discovered much of the best evidence of the coverup in the final year of active investigation, too late for most prosecutions," the report said.

In his response to the report, Meese said that "at no time did the attorney general initiate or participate in any coverup of any aspect of what has become known as the Iran-contra matter." He denounced the report as not only "a grand delusion riddled with false statements, but an unconscionable act of deception intended to cover up Walsh's own unethical and illegal conduct."

At his news conference, Walsh said it was "very disturbing" for him to be pointing fingers at people he didn't prosecute, but justified it as a requirement of the independent counsel law designed to make such prosecutors fully accountable for their actions, both in what they did not do as well as what they did. He said the provision was enacted out of congressional concerns following the Watergate investigation when special prosecutors issued "a rather condensed report" and then went on to write books about their work.

Walsh also acknowledged that he made "some mistakes of judgment" in the course of the \$36 million inquiry, particularly at the beginning when "I thought I could handle it with 10 lawyers." He said he did not expand his staff significantly until Congress began talking of granting immunity to key figures such as North and Poindexter, a step that ultimately resulted in the voiding of their criminal convictions.

For the first time, Walsh publicly discussed his view that Regan believed he was acting in the public interest, even if wrongheadedly. Walsh said the bare facts would suggest Regan had "knowingly participated or at least acquiesced" in a coverup, but "such a conclusion runs against President Regan's seeming blindness to reality when it came to the rationalization of some of his Iran and hostage policies. . . .

"The simple fact is that President Reagan seems not

to have been ashamed of what he had done," Walsh said. "He had convinced himself that he was not trading arms for hostages."

Recalling his last questioning of Reagan in July 1992, Walsh said the former president's "memory had obviously failed. He had little recollection of the meetings and details of the transactions" even when his own diary notes were read back to him.

By contrast, Walsh charged in his report that Bush apparently "had little intention of cooperating with the independent counsel" in the final stages of the investigation. According to a 1993 FBI interview with a former associate White House counsel for Bush, Janet Rehnquist, lawyers in the White House had decided to tell Walsh's prosecutors to "pound sand" in response to interview requests.

"Their position was that interviews had already been done, that an election was going on and that enough was enough," the FBI report of the interview stated. After the election, Bush insisted that any interview be limited to his failure to tell prosecutors until mid-December 1992 about a diary he kept during the Iran-contra period.

As a result, Walsh said, "the criminal investigation of Bush was regrettably incomplete." He said his only recourse, a grand jury subpoena of the former president, would have been inappropriate, in part because it would have smacked of retaliation for the pardons.

Responding for Bush, Bell said that Walsh "refused to consider any reasonable limitations" on the scope of the questions.

Staff writer Dan Morgan and researcher Ann O'Hanlon contributed to this report.

POINT, COUNTERPOINT

Assertions by Iran-contra independent counsel Lawrence E. Walsh drew rebuttals from principal figures in the affair.



REAGAN

Ronald Reagan,
former
president

Assertions by Walsh

Most of the president's early statements proved to be incorrect or misleading.

Rebuttal

The president and his advisers repeatedly disclosed the essential facts of the arms sales to Iran. The president was unaware of the diversion of funds to the contras until the attorney general discovered it in the course of an internal investigation.



BUSH

George Bush,
former
president

"Contrary to his public pronouncements, he was fully aware of the Iran arms sales . . . and he participated in discussions to obtain third-country support for the contras."

"By seeking to craft criminal violations from a political foreign policy dispute, [Walsh] was cast in a biased position from the beginning."



MEESE

Edwin Meese III,
former
attorney general

The attorney general spearheaded a conspiracy to cover up the president's knowledge of a possibly illegal November 1985 U.S. shipment of HAWK missiles to Iran.

The Walsh report is a product of the independent counsel's "infirm musings about some Oliver Stone-type conspiracy." Meese took numerous steps to ascertain the full details of the November shipment.



WEINBERGER

Caspar W. Weinberger,
former defense
secretary

He hid his notes and took part in an attempted coverup of the possibly illegal 1985 shipment of HAWK missiles to Iran.

Walsh is engaged in a "massive effort to rewrite history and resurrect his reputation." His report rehashes charges for which Weinberger was pardoned by Bush.



SCHULTZ

George P. Shultz,
former
secretary of
state

Walsh's assertion: He held back information pertinent to the sales of arms to Iran.

Shultz argued against the initiative and was the Cabinet official who informed Meese of Reagan's knowledge of the 1985 HAWK shipment to Iran.



Oliver L. North
former NSC
aide and retired
Marine officer.

He was the White House official most directly involved in aiding the contras, selling arms to Iran and diverting proceeds to the contras, and was allowed by his superiors to operate with "unprecedented latitude."

No written response included in the final report.

John M. Poindexter,
former national
security adviser
to Reagan.

The jury that convicted him of five felonies "showed that ordinary citizens . . . [could] agree that obstructing and lying to Congress is a serious act."

All the convictions were set aside, yet the report employs a "pro-prosecution spin at every turn" and attempts to discredit the appeals court's reversal of the conviction.

Robert C. McFarlane,
former national
security adviser
to Reagan

He put his subordinates in a difficult position by delegating to them the job of carrying out Reagan's directive to keep the contras fighting despite a cut-off of U.S. aid, then lied about North's activities.

"I did not lie and was never charged with lying by the independent counsel."



ABRAMS

Elliott Abrams, former assistant secretary of state

He was familiar with the secret financial channels used to pay for weapons and supplies for the Nicaraguan contras.

The report "makes selective use of facts to justify its own actions."



CLARRIDGE

Duane R. Clarridge, former CIA official

He made false statements to Congress about arms shipments to Iran.

"Sticks and stones may break my bones, but the pitiful, feeble evidence of my alleged crimes presented in the Walsh report will never hurt me."



PERES

Shimon Peres, Israeli foreign minister

Israel was a key to the beginning and the continuation of the U.S. initiatives with Iran.

The idea of an Iran initiative was raised not by Israelis, but by Michael Ledeen, a consultant to the National Security Council, during a meeting that Ledeen requested with Peres on May 3, 1985.



RABIN

Yitzhak Rabin, prime minister of Israel, and former defense minister

He called national security adviser Robert C. McFarlane to help with the 1985 HAWK shipments.

McFarlane returned a call from Rabin, who made clear that if it wasn't a joint U.S-Israel operation, Israel wouldn't "pursue the matter further."

Richard V. Secord, retired major general who assisted NSC aide Oliver L. North

He was the key middleman and received \$2 million in 1985-86 in direct personal benefits from the operation and more than \$1 million in separate cash payments.

Walsh is a "limelight seeking, self-aggrandizing, disgracefully invidious scoundrel."

Donald P. Gregg, former Bush security adviser and U.S. ambassador to South Korea.

He committed "acts of concealment."

"I am deeply angered that . . . such a flawed, vindictive and biased report has been produced."

—Compiled by Dan Morgan

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Iran-Contra Report Bloodies

Senate Candidate's Integrity Questioned; Some Say It Will Hurt,

By Kent Jenkins Jr.
Washington Post Staff Writer

Senate candidate Oliver L. North is portrayed as someone who repeatedly lied, broke the law and misused money in the final report on the Iran-contra affair, released only days before he plans to formally open his campaign.

Special prosecutor Lawrence Walsh's report, which came out yesterday, will create significant political fallout for the first-time Republican candidate, according to analysts. It refocuses attention on North's role in the scandal and questions his integrity. Both contrast sharply with North's repeated descriptions of himself as a White House subordinate who loyally followed orders.

North and his aides dismissed the report as politically meaningless yesterday, saying it recycled old allegations that courts already have rejected. North was found guilty of several charges, including obstructing Congress and accepting an illegal gratuity, but the conviction was overturned on the grounds that North's testimony before Congress might have been used against him.

"There are no smoking guns when it comes to me," North said in a statement. "Walsh fired his last shot, and it was a blank. It's over."

Political analysts, Democrats and a North opponent strongly disagreed. Although many voters may be numbed by details of the affair, they said, the report spotlights concerns about North's character. Its conclusions are likely to be invoked repeatedly if North wins the GOP Senate nomination.

"On the issue of character, this could be devastating," said Mark J. Rozell, a political scientist at Mary Washington College. "This report is not coming from the Chuck Robb camp, but from an outside source with an aura of objectivity. It lends much more credibility to any charges against North."

North's only Republican opponent, former Reagan administration budget director James C. Miller, said in a statement that "the obvious thing about all of this is that the Iran-contra controversy is going to stay in the news and as a result it will continue to be an issue."

Despite the North camp's efforts to play down the report's significance, his lawyers battled for several months to prevent its release, contending that Walsh had treated North and other Iran-contra participants unfairly. A federal judge who also questioned Walsh's fairness offered those named in the report a chance to include a written re-

sponse, but North did not offer any rebuttal.

A North spokesman, Mark Merritt, said yesterday that North "just didn't feel he had to enter into this thing" because "there's not an unresolved issue. We've already crossed that bridge."

Analysts said that Walsh's report only may have limited effect on the party's nominating contest because many Republican activists already have made up their minds about North.

But it could have greater influence in the general election among undecided voters with questions about North's fitness for office. Walsh cited North's "enthusiastic commitment" to the execution of the Iran-contra affair. In describing North's 1989 testimony in his own defense, Walsh asked "whether [North] was, as he claimed, a 'pawn in a chess game played by giants.'"

"For six days," Walsh wrote, "North admitted to having assisted the contras during the [legal] prohibition on U.S. aid, to having shredded and removed from the White House official documents, to having converted traveler's checks for his personal use, to having participated in the creation of false chronologies of the U.S. arms sales, to having lied to Congress and to having accepted a home security

North

Supporters Disagree

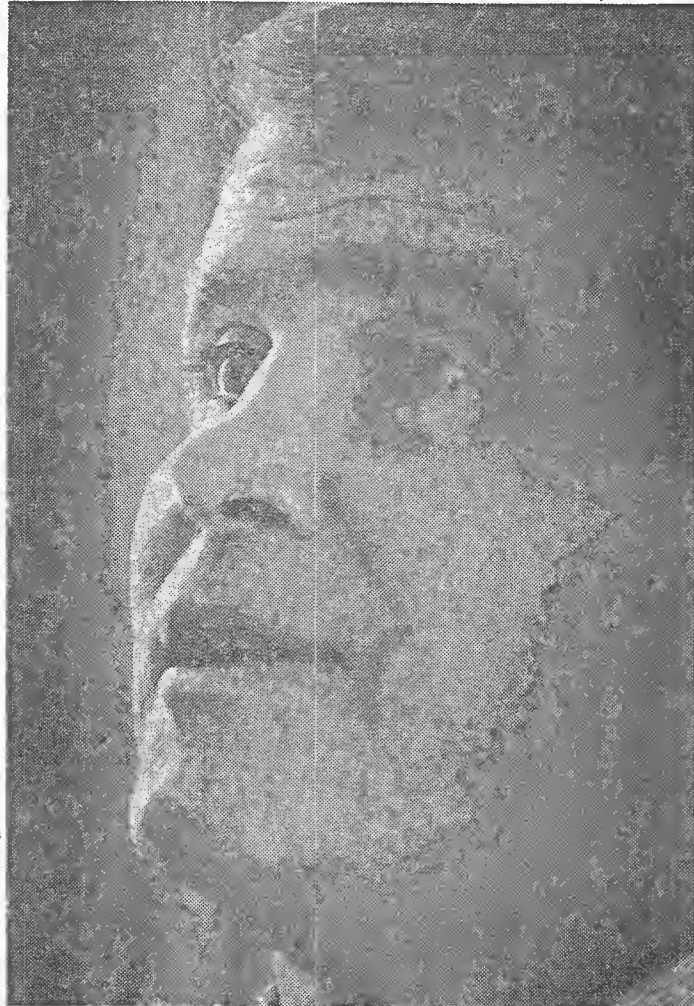
system . . . then fabricating letters regarding payment for the system. But, North testified, 'I don't believe I ever did anything that was criminal.' "

Analysts said the report directs attention to one aspect of the Iran-contra affair that could prove critical should North win the GOP nomination: His handling of money.

North distributed thousands of dollars to the contras but destroyed the only ledger showing where the money went. He has admitted taking a home security system from another Iran-contra figure and later trying to fabricate bills to show he paid for it.

He used \$4,300 worth of traveler's checks from contra funds for personal expenses, testifying later that the checks reimbursed money he already had spent. And in 1985, he bought a car the day after he received a sizable cash payment that was intended for the contras.

"All of North's shortcomings in this are a summary of the things people don't like in politicians: Conflict of interest, lack of truthfulness and arrogance of power," said Thomas R. Morris, a political scientist who is president of Emory & Henry College. "He wants to run as an outsider who's not like other politicians, and he's going to have to address these issues."



BY CRAIG HERNOON—THE WASHINGTON POST

Oliver L. North's lawyers battled for months to prevent release of the report.